Supreme Court, U.S.
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No. 98-244

In The

Supreme Court of the United States

October Term, 1997

REPEAT-O-TYPE STENCIL,
MANUFACTURING CORPORATION,

Petitioner,

vs.

HEWLETT-PACKARD COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY BRIEF FOR PETITIONER

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RES JUDICATA

In its brief in opposition, Hewlett-Packard raises an interesting procedural issue. Hewlett-Packard's position is that because the original trial judge, in denying the request for leave to add counterclaims, stated that the counterclaims did not appear to have any merit, this was res judicata. In fact, that court exercised its discretion in refusing to accept the counterclaims because they were filed too late in the day. The court then stated that, in addition, it believed that the counterclaim did not have merit. It is ROT's position that the court never accepted jurisdiction of the counterclaims and did not therefore base its decision on the counterclaims not having merit. An appeal based upon that portion of the court's decision would have been meaningless because it would not have overcome the court's exercise of its discretion in refusing to accept jurisdiction of the counterclaims.

This is a matter which the court may wish to address.

HEWLETT-PACKARD'S SLEIGHT OF HAND:

The fundamental problem with Hewlett-Packard's analysis and its arguments with which it has so far been inappropriately successful in this case is shown on page 3 of Hewlett-Packard's responding brief. On page 3 Hewlett-Packard states:

> Because the product that ROT was selling in its misleading packaging was nothing more than a modified version of HP's own cartridges, the product unsurprisingly fell under the terms of numerous HP patents.

This is precisely the issue which Repeat-O-Type attempted to present in the court below. In fact, Hewlett-Packard's own

cartridges did not fall under the terms of any of the patents which it asserted in the underlying litigation. Hewlett-Packard never prepared or presented a claims chart and never showed any infringement analysis. This is the infringement analysis which the CAFC has required as a prerequisite to avoiding sanctions. *Herbert Judin v. The United States and Hewlett-Packard Company*, 110 F.3d 780 (Fed. Cir. 1997). *Refac International Ltd. v. Hitachi, Ltd.*, 19 U.S.P.Q. 2d 1855.

The Ninth Circuit decision in the case at bar, essentially saying that no such prefiling or even post filing claims analysis is required, sets this case directly at odds with the law of the CAFC.

Hewlett-Packard successfully finessed this issue by focusing entirely upon its affirmative defense of repair-reconstruction to Repeat-O-Type's affirmative defense of first sale extinguishment of patent rights. Repair-reconstruction was not the issue presented in the antitrust case. The issue presented in the antitrust case was the fact that Hewlett-Packard's own cartridges did not fall under the terms of the Hewlett-Packard patents.

CONCLUSION

The threat of sham litigation actions by a defendant in a patent infringement action is a very powerful and important deterrent to the abuse of patents. The CAFC has set down very stringent standards which must be met before the filing of a patent infringement lawsuit in order to avoid Rule 11 sanctions. That same criteria was set forth by this Court in *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc.*, 113 S. Ct. 1920, 123 L. Ed. 2d 611 for sham litigation. In order to provide stability and predictability in this area of the law, the Supreme Court can, and hopefully will, set forth clear standards as to what criteria must be met before filing a patent infringement lawsuit in order to avoid the risk of being sued for sham litigation and malicious prosecution.

Respectfully submitted,

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